



GRAND PARKWAY TRANSPORTATION CORPORATION

A blended component unit of the Texas Department of Transportation

Annual Financial Report
For the Fiscal Year Ended August 31, 2020
(With Independent Auditor's Report)



Grand Parkway Transportation Corporation
A Blended Component Unit of the Texas Department of Transportation

FINANCIAL STATEMENTS
For the Fiscal Year Ended
August 31, 2020

Prepared by:
Texas Department of Transportation's Financial Management Division

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GRAND PARKWAY TRANSPORTATION CORPORATION
Annual Financial Report
For the Fiscal Year Ended August 31, 2020

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Section One

Introductory Section

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Grand Parkway Transportation Corporation

125 E. 11th Street, Austin, Texas 78701

December 17, 2020

TO: The Citizens of Texas and the Bondholders of the Grand Parkway Transportation Corporation

The audited annual financial statements of the Grand Parkway Transportation Corporation (GPTC) for the year ended August 31, 2020 are enclosed in accordance with the Trust Agreement dated August 1, 2013, as supplemented (Trust Agreement). The Trust Agreement requires the preparation and submission of audited annual financial statements beginning with the fiscal year in which substantial completion occurs for the initial project financed with the obligations issued pursuant to the Trust Agreement.

An external audit firm, Crowe LLP, performed an independent audit, in accordance with generally accepted auditing standards, of GPTC's basic financial statements for the year ended August 31, 2020. The audit opinion is presented in this report preceding the financial statements. This report was prepared by the accounting staff of the Financial Management Division of Texas Department of Transportation (TxDOT). GPTC's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

Management is responsible for the accuracy of the data in this report as well as for the completeness and fairness of the presentation. Consequently, management assumes full responsibility for the completeness and fairness of all of the information presented in the financial statements. To the best of my knowledge and belief, the financial statements are accurate in all material respects, are reported in a manner that presents fairly the financial position and results of operations of GPTC and provide disclosures that enable the reader to understand GPTC's financial condition.

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the financial activities of GPTC. We encourage readers to consider the information in this letter of transmittal in conjunction with the MD&A.

Profile of the Government

GPTC is incorporated as a public non-profit corporation. It was created by the Texas Transportation Commission (Commission) in 2012 and is organized and existing pursuant to the provisions of Subchapters A through C, Chapter 431, Texas Transportation Code and the Business Organization Code related to non-profit corporations, including Chapter 22 thereof (collectively, the Act). The Corporation is authorized to act on behalf of the Commission for the public purpose of developing,

December 17, 2020

financing, refinancing, designing, acquiring, constructing, reconstructing, expanding, operating and maintaining some or all of the segments of the Grand Parkway Project.

The Corporation is governed by a three-member board of directors consisting of individuals appointed by the Commission, all of whom are full-time, permanent employees of TxDOT. The directors serve without compensation. The Corporation has no staff, no resources and no taxing power.

The Grand Parkway (State Highway 99) Project is a proposed 184-mile highway around the greater Houston area from State Highway 146 in Galveston County, Texas to State Highway 146 in Baytown, Texas and spread across the seven counties of Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty and Montgomery. The primary purpose of the Grand Parkway Project is to provide an outer loop around the Houston metropolitan area to improve connectivity within the existing network, reduce transportation congestion and enhance mobility and travel options, reduce unsafe "stop and go" conditions and accommodate demographic and economic growth. The Grand Parkway Project is divided into 11 segments designated A through I-2.

GPTC obligations were issued in part to finance the costs of the Grand Parkway System. The Grand Parkway System consisting of Segment D (Harris County), E, F-1, F-2, G, H, I-1 and I-2. Certain outstanding GPTC obligations are supported, under certain circumstances, by a Toll Equity Loan Agreement (TELA) between the Corporation and TxDOT. Obligations issued by GPTC are not obligations of the Commission, TxDOT or any other agency of the State of Texas.

GPTC has the power to issue toll revenue bonds, notes or other obligations and enter into contracts, and assume agreements of TxDOT in connection with the Grand Parkway Project. The Corporation also has the power to enter into agreements with TxDOT regarding the responsibility of each party for the development, financing, refinancing, design, construction, reconstruction, expansion, operation or maintenance of the Grand Parkway Project and the support to be provided to the Corporation by TxDOT including any necessary toll equity loan agreements between the Corporation and TxDOT and take other actions necessary or convenient to implementing the Grand Parkway Project.

Budgetary Controls

GPTC utilizes the services of TxDOT employees for all accounting, debt financing and administrative services. TxDOT's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements.

Annual budgets must be approved by the board of directors of GPTC on or before the fifth business day preceding the first day of the new fiscal year.

December 17, 2020

Information Useful in Assessing GPTC Financial Condition

GPTC and the Trustee are responsible for ensuring that funds maintain the proper minimum balances as set forth in the Trust Agreement and for investing in securities required to meet liquidity requirements. All moneys held for the credit of the Construction Fund and Reserve Accounts shall, as nearly as may be practicable, be invested and reinvested in permitted investments. In lieu of the investments, at the option of the Corporation, the Corporation may make interest bearing time deposits, invest in certificates of deposits, or make other similar arrangements with the Trustee or any other depository, as may be permitted by law.


Risk Financing & Management

GPTC has established a self-insurance program funded with \$150,000,000 on deposit with the Trustee, held in the Rate Stabilization Fund. TxDOT staff provides all accounting, debt financing and administrative services. Salaries and wages of TxDOT employees who are specifically dedicated to managing the operations of GPTC are reported as expenses in this report.

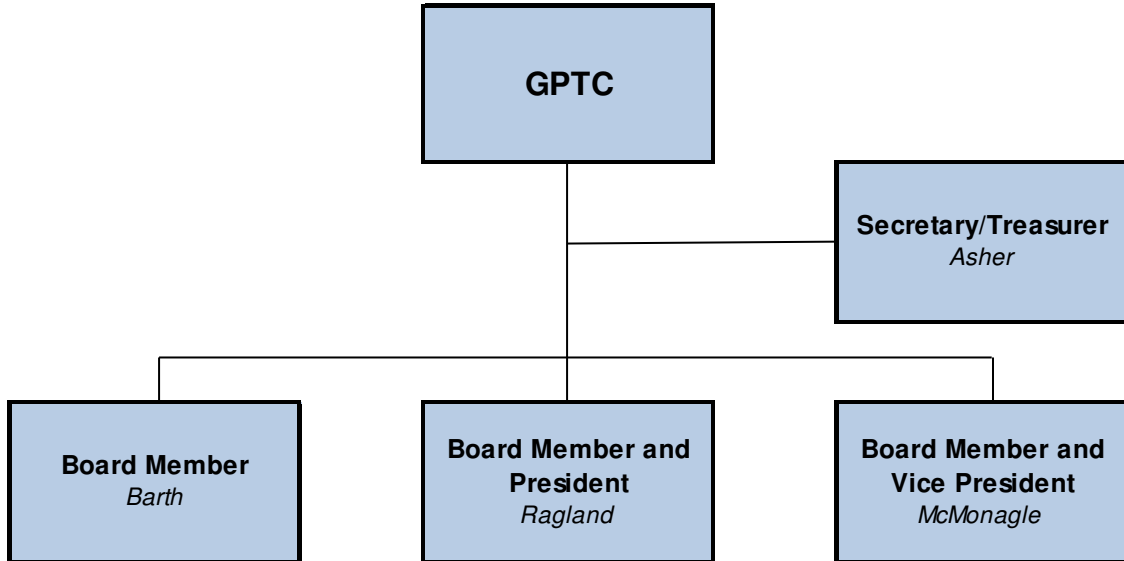
Acknowledgements

The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section of the Financial Management Division and the Project Finance, Debt & Strategic Contracts Division. I sincerely appreciate the efforts of all these individuals who made this report possible.

Sincerely,

DocuSigned by:

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Brian D. Ragland, CPA
President
Grand Parkway Transportation Corporation

**Grand Parkway Transportation Corporation
Corporation Officials
As of August 31, 2020**



BOARD OF DIRECTORS

<u>Key Personnel</u>	<u>Title</u>	<u>Occupation</u>
Brian Ragland	President, Board of Directors	Chief Financial Officer, TxDOT
Richard McMonagle	Vice President, Board of Directors	Chief Administrative Officer, TxDOT
Brian Barth	Board Member	Project Planning and Development Director, TxDOT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Occupation</u>
Benjamin Asher	Secretary/Treasurer	Director, Project Finance, Debt and Strategic Contracts Division, TxDOT

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Section Two

Financial Section

INDEPENDENT AUDITOR'S REPORT

Members of the Texas Transportation Commission
State of Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Grand Parkway Transportation Corporation (Corporation), a component unit of the Texas Department of Transportation (TxDOT), an agency of the State of Texas, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of August 31, 2020, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 12-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Crowe LLP

Dallas, Texas
December 17, 2020

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Section Two (Continued)

Management's Discussion and Analysis
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Grand Parkway Transportation Corporation (GPTC), we offer readers of the GPTC financial statements this narrative overview and analysis of its financial activities for the year ended Aug. 31, 2020, with selected comparative information for the year ended Aug. 31, 2019. The information presented should be read in conjunction with our letter of transmittal, the financial statements and the accompanying notes to the financial statements.

GPTC is authorized to act on behalf of the Commission for the public purpose of developing, financing, refinancing, designing, constructing, reconstructing, expanding, operating and/or maintaining the Grand Parkway System (the System). The System consists of eight segments of the Grand Parkway Project including Segments D (Harris County), E, F-1, F-2, G, H, I-1 and I-2 located in Chambers, Harris, Liberty and Montgomery counties.

Highlights

During fiscal year 2020, GPTC generated \$183.7 million in toll revenues, net of allowance, a decrease of \$17.5 million or 8.7 percent over fiscal 2019.

The COVID-19 pandemic and the measures instituted to control the pandemic have adversely impacted toll transactions and toll revenues on the System. The pandemic has adversely affected travel, commerce and financial markets globally and is expected to adversely affect economic output worldwide and in Texas, including within the counties traversed by the System. These effects have reduced and are expected to slow the growth of toll transactions occurring on the System and the collection of toll revenues; may reduce and slow the growth of certain assets of the System, to an extent that cannot currently be predicted and could be material.

On Feb. 27, 2020, GPTC issued \$2.3 billion of the 2020 Bonds. The majority of the proceeds of the 2020 Bonds, together with certain other funds of the Corporation were used to prepay in full the 2014 TIFIA Note, to refund a portion of the outstanding Series 2013A Bonds and to refund all of the outstanding Series 2013B bonds that constitute current interest obligations. See Note 5 to the financial statements and later sections of this management's discussion and analysis for more information on outstanding bonded debt of GPTC.

As of Aug. 31, 2020, GPTC has incurred \$2.9 billion of costs related to the design and construction of the System which is reported as intangible assets on the statement of net position.

GPTC ended the fiscal year of operation with assets of \$4.6 billion; deferred outflows of resources of \$175.8 million, liabilities of \$5.1 billion; and deficit net position of \$310.5 million. The net position decreased by \$108.4 million from fiscal 2019.

Overview of Financial Statements

The financial section of this annual financial report consists of two parts: management's discussion and analysis (this section) and the basic financial statements with their accompanying notes.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Proprietary funds are used to account for a government's business-type activities. The activities related to GPTC are accounted for in an enterprise fund, which is a type of proprietary fund used to report activities in which a fee is charged to external users for goods and services.

Financial Analysis

The overall financial position and operations of GPTC for the past two years is summarized as followed.

Statement of Net Position			
(Amounts in Thousands)			
August 31, 2020 and 2019			
	<u>2020</u>		<u>2019</u>
ASSETS			
Assets Other Than Intangible Assets	\$ 1,767,301	\$	2,081,966
Intangible Assets	<u>2,876,436</u>		<u>2,553,936</u>
Total Assets	<u>4,643,737</u>		<u>4,635,902</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>175,757</u>		<u>0</u>
LIABILITIES			
Current Liabilities	225,609		127,745
Noncurrent Liabilities	<u>4,904,361</u>		<u>4,710,193</u>
Total Liabilities	<u>5,129,970</u>		<u>4,837,938</u>
NET POSITION			
Restricted for Debt Service	41,067		22,984
Restricted for Operations and Maintenance	61,178		61,344
Unrestricted	<u>(412,721)</u>		<u>(286,364)</u>
Total Net Position	<u>\$ (310,476)</u>	\$	<u>(202,036)</u>

Changes in Net Position		
(Amounts in Thousands)		
August 31, 2020 and 2019		
	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Operating Revenues	\$ 183,749	\$ 201,213
Total Operating Revenues	<u>183,749</u>	<u>201,213</u>
OPERATING EXPENSES		
Operating Expenses	111,899	107,876
Total Operating Expenses	<u>111,899</u>	<u>107,876</u>
Operating Income	<u>71,850</u>	<u>93,337</u>
NON-OPERATING REVENUES (EXPENSES)		
Non-Operating Revenues (Expenses)	(180,290)	(151,871)
Total Non-Operating Revenues (Expenses)	<u>(180,290)</u>	<u>(151,871)</u>
Change in Net Position	<u>(108,440)</u>	<u>(58,534)</u>
Net Position - Beginning	<u>(202,036)</u>	<u>(143,502)</u>
Net Position - Ending	<u>\$ (310,476)</u>	<u>\$ (202,036)</u>

Net Position

The deficit balance of net position increased to \$310.5 million due to the total expense exceeding the total revenue by \$108.4 million. The large expense in fiscal 2020 was \$209.0 million of interest.

Changes in Net Position

Total operating revenues for fiscal 2020 were \$183.7 million, a decrease of 8.7 percent over fiscal 2019. Toll revenues is the only component of operating revenues. The amount of toll revenue decreased due to 7.9 percent decrease in overall toll transactions.

Total operating expenses for fiscal 2020 were \$111.9 million, an increase of 3.7 percent over fiscal 2019. The largest operating expense was amortization of \$65.0 million, which comprised 58.1 percent of total operating expenses.

Total non-operating expenses exceeded non-operating revenues by \$180.3 million, an increase of 18.7 percent or \$28.4 million over fiscal 2019. Reduced investment income and \$14.3 million bond issuance costs are the main drivers for the change.

Intangible Assets and Debt Administration

Intangible Assets

Adhering to the service concession arrangements (SCA), GPTC records the construction related costs and acquisition costs of right-of-way as an intangible asset. There are two SCAs between GPTC and TxDOT. One is for the Initial Project, another is for the H and I Project. All five segments in the Initial Project are open to traffic. GPTC began to amortize the intangible assets associated with the Initial Project in fiscal 2016. With the 2018 series bonds and BANs issued in fiscal 2018 for financing the construction and development of the H and I project, the amended agreements between GPTC and TxDOT updated for the H and I Project meet the definition of a service concession arrangement under criteria established by the Governmental Accounting Standards Board. As of Aug. 31, 2020, GPTC had \$2.9 billion, net of \$319.6 million accumulated amortization, in intangible assets. See Note 2 for more information.

Intangible Assets Activities				
For the Fiscal Year Ended August 31, 2020 (Amounts in Thousands)				
	Balance			Balance
	9/1/2019	Additions	Reductions	8/31/2020
Intangible Assets - SCAs	\$ 2,808,525	\$ 387,534		\$ 3,196,059
Less: Accumulated Amortization for Intangible Assets	(254,589)		(65,034)	(319,623)
Intangible Assets, Net	<u>\$ 2,553,936</u>	<u>\$ 387,534</u>	<u>\$ (65,034)</u>	<u>\$ 2,876,436</u>

Debt Administration

GPTC issued bonds and notes backed by the pledged revenues and restricted assets specified in the bond resolutions. GPTC also entered into a secured loan agreement with the United States Department of Transportation (USDOT) through the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). Funds were drawn per the agreement in fiscal 2017 and prepaid in full on Feb. 27, 2020. As of Aug. 31, 2020, GPTC had \$4.9 billion of debt. See Note 4 for more information.

Outstanding Debt Obligations			
(Amounts in Thousands)			
August 31, 2020 and 2019			
	2020		2019
Revenue Bonds Payable	\$ 4,300,812	\$	3,150,042
Notes and Loans Payable	636,925		1,574,906
Total Outstanding Debt	<u>\$ 4,937,737</u>	<u>\$</u>	<u>4,724,948</u>

Bond Credit Ratings

Long-Term Credit Ratings			
As of August 31, 2020			
	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Series 2013 - A	A+	NR	BBB
Series 2013 - B	AA	NR	AA+
Series 2013 - E	AA	NR	AA+
Series 2016	NR	NR	AA+
Series 2018 -A	AA	NR	AA+
Series 2018 -B	AA	NR	AA+
Series 2020 -A	A+	A2	NR
Series 2020 -B	AA	Aa1	NR
Series 2020 -C	A+	A2	NR

An explanation of the significance of each rating may be obtained from the company furnishing the ratings. The ratings reflect only the respective views of such organizations and GPTC makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant.

Requests for Information

This financial report is designed to provide a general overview of GPTC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to GPTC at the following address:

Grand Parkway Transportation Corporation
125 East 11th Street
Austin, Texas 78701-2483

Section Two (Continued)

Basic Financial Statements

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
August 31, 2020 (Amounts in Thousands)

ASSETS

Current Assets:	
Cash and Cash Equivalents:	
Cash in Bank	\$ 12
Cash and Cash Equivalents	208,742
Short-Term Investments	64,168
Restricted:	
Cash and Cash Equivalents	890,831
Short-Term Investments	214,096
Receivables:	
Accounts Receivable	12,980
Interest	2,736
Due from Other Funds (Note 7)	4,469
Consumable Inventory	568
Total Current Assets	<u>1,398,602</u>
Noncurrent Assets:	
Restricted:	
Investments	328,044
Investments	40,655
Intangible Assets (Note 2)	2,876,436
Total Noncurrent Assets	<u>3,245,135</u>
Total Assets	<u>4,643,737</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources	
Loss on Bond Refunding	175,757
Total Deferred Outflows of Resources	<u>175,757</u>

LIABILITIES

Current Liabilities:	
Payables:	
Accounts	101,327
Interest	80,638
Contract Retainage	1,836
Due to Other Funds (Note 7)	4,081
Unearned Revenues	4,351
Notes and Loans Payable (Notes 4)	10,532
Revenue Bonds Payable (Notes 4, 5)	22,844
Total Current Liabilities	<u>225,609</u>
Noncurrent Liabilities:	
Notes and Loans Payable (Note 4)	626,393
Revenue Bonds Payable (Notes 4, 5)	4,277,968
Total Noncurrent Liabilities	<u>4,904,361</u>
Total Liabilities	<u>5,129,970</u>

NET POSITION

Restricted for:	
Transportation - Operations and Maintenance	61,178
Debt Service	41,067
Unrestricted	(412,721)
Total Net Position	<u>\$ (310,476)</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended August 31, 2020 (Amounts in Thousands)

OPERATING REVENUES	
Toll Revenue - Pledged	\$ <u>183,749</u>
Total Operating Revenues	<u>183,749</u>
 OPERATING EXPENSES	
Salaries	2,143
Professional Fees and Services	4,192
Travel	3
Materials and Supplies	724
Communication and Utilities	167
Repairs and Maintenance	14,184
Rentals and Leases	2
Contracted Services	12,703
Advertising	88
Amortization Expense	65,034
Other Operating Expenses	<u>12,659</u>
Total Operating Expenses	<u>111,899</u>
Operating Income	<u>71,850</u>
 NON-OPERATING REVENUES (EXPENSES)	
Interest and Investment Income	29,333
Net Increase in Fair Value of Investments	312
Amortization	13,463
Interest Expense	(209,023)
Bond Issuance Expenses	(14,289)
Other Financing Fees	<u>(86)</u>
Total Non-Operating Revenues (Expenses)	<u>(180,290)</u>
Change in Net Position	<u>(108,440)</u>
Net Position, September 1, 2019	<u>(202,036)</u>
Net Position, August 31, 2020	<u>\$ <u>(310,476)</u></u>

The accompanying notes to the financial statements are an integral part of this financial statement.

GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended August 31, 2020 (Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Customers	\$ 189,087
Payments to Suppliers for Goods and Services	<u>(50,133)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>138,954</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments for Debt Issuance Costs	(2,853)
Payments of Interest on Debt	(157,646)
Payments for Intangible Assets	(321,942)
Payments for Financing Fee	<u>(36)</u>
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	<u>(482,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest and Investment Income	26,769
Proceeds from Sales and Maturities of Investments	1,479,035
Payments to Acquire Investments	(871,743)
Payments for Accrued Interest on Purchase of Investment	<u>(1,908)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>632,153</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>288,630</u>
CASH AND CASH EQUIVALENTS - September 1, 2019	<u>810,955</u>
CASH AND CASH EQUIVALENTS – August 31, 2020	<u>\$ 1,099,585</u>

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GRAND PARKWAY TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended August 31, 2020 (Amounts in Thousands)

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$	71,850
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Amortization of Intangible Assets		65,034
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable		5,456
(Increase) in Inventory		(199)
(Increase) in Amounts Due from Other Fund		(117)
(Decrease) in Accounts Payable		(4,556)
Increase in Amounts Due to Other Fund		1,486
Net Cash Provided by Operating Activities	\$	<u>138,954</u>

Noncash Investing, Capital and Financing Activities:

Amortization of Investment Premium/Discount	\$	7,209
Net Change in Fair Market Value of Investments	\$	312
Change in the Accrued Intangible Assets	\$	65,519
Long-Term Debt Retirement from Bond Issuance	\$	(944,105)
Defeasance of Long-Term Debt	\$	(1,279,846)
Proceeds of Bond Issuance	\$	2,416,627

The accompanying notes to the financial statements are an integral part of this financial statement.

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Grand Parkway Transportation Corporation
Notes to Financial Statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements reflect the financial position of the Grand Parkway Transportation Corporation (GPTC). GPTC is a public non-profit corporation, created by the Texas Transportation Commission (Commission) in 2012. GPTC is authorized to act on behalf of the Commission for the public purpose of developing, financing, refinancing, designing, constructing, reconstructing, expanding, operating and/or maintaining the Grand Parkway System (the System). The System consists of eight segments of the Grand Parkway Project including Segments D (Harris County), E, F-1, F-2, G, H, I-1 and I-2 located in Chambers, Harris, Liberty and Montgomery counties. The Texas Department of Transportation (TxDOT) owns or will own the roadway and all access roads and appurtenant facilities comprising the System and the related right-of-way. GPTC is entitled to all revenues from, or produced as a consequence of, the operation of the System as a toll highway.

GPTC, a blended component unit of TxDOT, is part of the TxDOT's reporting entity. GPTC is governed by a three-member board of directors consisting of individuals appointed by the Commission, all of whom are employees of TxDOT. GPTC has no staff, no resources and no taxing power. The GPTC utilizes the services of TxDOT employees for administrative support, including financial, legal, technical, clerical and other services.

Basis of Presentation

The accompanying financial statements were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Financial reporting for GPTC is based on all GASB pronouncements. The data in this report is combined and consolidated by the Texas Comptroller's Office with similar data from other state agencies and universities in the preparation of the state of Texas Comprehensive Annual Financial Report (CAFR).

GASB Statements Effective for Fiscal 2020

In fiscal 2020 GPTC adopted the following new GASB pronouncements:

- *GASB Statement No. 84, Fiduciary Activities.* This statement establishes criteria for identifying fiduciary activities. The criteria include (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds are (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Fiduciary funds are presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. The effective date of the statement is postponed by one year to fiscal 2021 according to the *GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance*, due to the COVID-19 pandemic. TxDOT decided to early implement the Statement 84 in fiscal 2020.
- *GASB Statement No. 90, Majority Equity Interests.* The statement specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The majority equity interests should be measured using the equity method unless it is held by a special-purpose government engaged only in fiduciary activities. These fiduciary activities should measure the majority equity interest at fair value. If a government's holding of a majority equity interest in a legally separate organization does not meet the definition of an investment, the government should report the legally separate organization as a component unit. The effective date of the statement is postponed by one year to fiscal 2021 according to the *GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance*, due to the COVID-19 pandemic. TxDOT decided to early implement the Statement 90 in fiscal 2020.
- *GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.* The statement extends the effective dates of certain accounting and financial reporting provisions in statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The objective of the statement is to provide temporary relief to governments due to the COVID-19 pandemic.

Fund Structure

The activity of GPTC is reported in a proprietary fund. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

A proprietary fund distinguishes operating from nonoperating items. Operating revenues and expenses result from providing services in connection with the proprietary fund's principal ongoing operations.

Assets, Deferred Outflows, Liabilities and Net Position

Cash and Cash Equivalents

Investments with a maturity of three months or less are considered cash equivalents. On the statement of cash flows, cash and cash equivalents are cash on hand, cash in bank, money market funds, state and local government investment pools (TexPool) and short-term, highly liquid investments with a maturity of three months or less at the time of purchase.

Investments

Investments are investments with a maturity date of one year or greater from the date of purchase. These investments are recorded at fair value based upon quoted market prices as of fiscal year end. Short-term investments are investment with a maturity greater than 90 days but less than one year at the time of purchase. Short-term investments are recorded on an amortized cost basis. All investment income, including changes in the fair value of investments, net interest income, is recognized as nonoperating revenue in the operating statement. See Note 3 for more information.

Interest Receivable

Interest receivable is the amount of interest that has been earned, but which has not yet been received.

Accounts Receivable

Toll revenue earned but not yet received by GPTC is reported as accounts receivable. The amount is expected to be collected the next fiscal year and it is classified as current. All receivables are recorded net of allowance for uncollectible accounts as of Aug. 31, 2020.

Due From Other Funds

Toll revenue earned by GPTC that is received by the TxTag Toll Collection Account but has not been distributed to GPTC at fiscal year end is reported as due from other funds. Also the allocation of TxTag deposits is recorded as due from other funds.

Consumable Inventory

Consumable inventory is comprised of toll tags. The consumption method of accounting is used to account for inventory. The costs of these items are expensed when the items are distributed to consumers.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund notes/loans, revenue bonds and revenues set aside for statutory or contractual requirements. In situations where both restricted and unrestricted resources are available to cover expenses, GPTC will first expend the restricted resources and cover additional costs with unrestricted resources. GPTC reserves the right to selectively defer the use of restricted assets.

Intangible Asset

GPTC is operating under two service concession arrangements (SCA) with TxDOT. As a governmental operator, GPTC records an intangible asset for its cost of design, construction and acquisition of right-of-way of the System. Amortization of the intangible asset associated with the initial project began in fiscal 2016. See Note 2 for more information about GPTC's SCAs with TxDOT.

Deferred Outflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

For current refundings and advance refundings resulting in defeasance of debt, when the reacquisition price is higher than the net carrying amount of the old debt, the difference is reported as a deferred outflow of resources. The deferred outflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Accounts Payable

Accounts payable represents the liability for the value of assets or services received during the reporting period for which payment is pending. It includes the payable to the design-build developer, bond issuance costs and other vendor payments.

Unearned Revenue

Unearned revenue is reported when cash or other assets are received prior to being earned.

Due to Other Funds

Due to other funds represents the reimbursement to the state highway fund for reimbursable construction, right-of-way acquisition costs, bond issuance costs, maintenance expenses and toll operating expenses incurred in fiscal 2020, but not paid as of Aug. 31, 2020.

Long-Term Liabilities

Long-term liabilities include revenue bonds payable and bond anticipation notes. Revenue bonds and notes payable are reported net of the applicable premium or discount.

Net Position

Proprietary funds report net position as the residual amount in a statement of net position. The categories of net position reported in this report include:

Restricted

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation. The restricted component of net position represents restricted assets reduced by liabilities related to those assets.

Unrestricted

Unrestricted net position consists of the assets and liabilities that are not included in the restricted components of net position.

Revenues and Expense

Operating Revenue

Operating revenues consist of toll revenue for open Segments D, E, F-1, F-2 and G, net of allowance for doubtful accounts earned by GPTC.

Operating Expense

Operating expenses include expenses incurred in operating the toll roads, the customer service center, maintenance expense and amortization on the intangible asset.

Nonoperating Revenues/Expenses

Nonoperating revenues are mainly comprised of interest and investment revenue, net of the change in fair market value of investments. Nonoperating expenses are any expenses not classified as operating, including bond issuance costs and interest expense.

NOTE 2 – INTANGIBLE ASSETS

The Grand Parkway Transportation Corporation (GPTC) is authorized to act on behalf of the Commission for the public purpose of developing, financing, refinancing, designing, acquiring, constructing, reconstructing, expanding, operating and maintaining some or all of the segments of State Highway 99 (the “Grand Parkway Project”). The commission has designated certain segments of Grand Parkway Project as the responsibility of GPTC, and GPTC has designated certain segments thereof as part of the Grand Parkway System. The System includes the Initial Project and the H and I Project. The Initial Project includes Segments D (Harris County), E, F-1, F-2 and G of Grand Parkway toll road. The H and I Project is designated with Segments H, I-1 and I-2.

The Initial Project was financed and refinanced through the issuance of Obligations by GPTC in 2013, 2014, 2016 and 2020 and other sources of funding.

GPTC issued Subordinate Tier Toll Revenue Bonds and BANs on May 30, 2018. The proceeds of the 2018 Bonds, the 2018 BANs, together with other sources of funding will be used to finance the costs of design, development, acquisition and construction of the H and I Project.

Since the Initial Project and the H and I project are financed by different funding sources, GPTC is operating under two service concession arrangements (SCA) with the Texas Department of Transportation (TxDOT).

An SCA is an arrangement between a transferor (TxDOT) and an operator (GPTC) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

As the governmental operator, GPTC records intangible assets for the project costs of design, development, acquisition and construction of the Initial Project and the H and I project separately.

All segments of the Initial Project achieved substantial completion and opened to traffic by the end of March, 2016. As required, GPTC is amortizing the intangible asset associated with the Initial Project using a straight line method for a term of 38 years, beginning in fiscal 2016. Capital costs paid for the Initial Project in fiscal 2020 were added to the unamortized intangible asset balance. Annual amortization of the intangible asset adjusted accordingly.

The Design Build contract for Segments H and I were executed on June 30th, 2017. The H and I project is under construction and is scheduled to open to traffic in 2022.

The table below presents the composition of GPTC's intangible assets as of Aug. 31, 2020.

Intangible Assets Activities				
For the Fiscal Year Ended August 31, 2020 (Amounts in Thousands)				
	Balance			Balance
	9/1/2019	Additions	Reductions	8/31/2020
Intangible Assets - SCA- Initial Project	\$ 2,436,257	\$ 29,467	\$	\$ 2,465,724
Less: Accumulated Amortization for Intangible Assets	(254,589)		(65,034)	(319,623)
Intangible Assets - Initial Project, Net	2,181,668	29,467	(65,034)	2,146,101
Intangible Assets - SCA- H and I Project	372,268	358,067		730,335
Intangible Assets - H and I Project, Net	372,268	358,067		730,335
Intangible Assets - Total, Net	\$ 2,553,936	\$ 387,534	\$ (65,034)	\$ 2,876,436

NOTE 3 - DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

GPTC is authorized by statute to make investments following the “prudent person rule”. GPTC has complied, in all material respects, with statutory authorization, bond documents, constraints and board policies during the period.

Deposits

The following amounts consist of all cash and cash equivalents in local banks. These amounts are included on the combined statement of net position as part of the “cash and cash equivalents” accounts.

Cash In Bank - Carrying Amount		
August 31, 2020 (Amounts in Thousands)		
Cash In Bank	\$	12
Cash In Bank - Carrying Amount	\$	12

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, deposits or collateral securities in the possession of an outside party will not be recovered. All GPTC’s deposits are protected by insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Regular depository accounts are insured by the FDIC up to \$250 thousand per depositor, per insured bank. As of Aug. 31, 2020, the sweep account is subjected to the same \$250 thousand coverage provided to a regular depository account.

Investments

Measurement

GPTC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three-tiered fair value hierarchies are as follows.

- Level 1 – Quoted prices in active markets for identical investments
- Level 2 – Significant other observable inputs other than quoted market prices
- Level 3 – Significant unobservable inputs

As of Aug. 31, 2020, the measurements of GPTC's investments are summarized below:

Investment Fair Value and Maturities				
August 31, 2020 (Amounts in Thousands)				
Investment Type	Fair Value Hierarchy Level 1		Other Measurement	Total
Money Market Mutual Funds	\$		\$ 13,920	\$ 13,920
U.S. Treasury Securities		340,352	104,496	444,848
U.S. Government Agency Obligations		28,347	173,768	202,115
Government Investment Pools			1,085,653	1,085,653
Total Investments	\$	368,699	\$ 1,377,837	\$ 1,746,536

Below is more detail regarding the measurement of GPTC's investments as of Aug. 31, 2020.

- GPTC had U.S. treasury securities and U.S. government agency obligation investments of \$368.7 million with original maturities of one year or more valued at quoted market prices (Level 1 input, 1 year or more).
- GPTC had investments in money market mutual funds, U.S. treasury securities, U.S. government agency obligations and government investment pools of \$1.4 billion with maturities less than one year valued at amortized cost.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, GPTC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. GPTC's investment policies state that all securities purchased by the Board shall be designated as assets of the Board, and shall be protected through the use of a third-party custodian/safekeeping agent. Additionally, GPTC conducts securities on a delivery-versus-payment (DVP) basis.

Credit Risk

Direct credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy prohibits GPTC from entering into long-term investment agreements or other non-DVP investment transactions with a final maturity or termination date of longer than six months with any financial institution or broker/dealer that initially has a long-term rating category of less than "A" and that does not have at least one long-term rating of at least "AA" by a nationally recognized investment rating firm. All investments made by GPTC have been through the list of qualified business organization authorized to engage in investment transactions approved by GPTC.

As of Aug. 31, 2020, GPTC holdings had the following ratings:

Investment Credit Ratings				
August 31, 2020 (Amounts in Thousands)				
Investment Type	Balance	Credit Rating		
		S&P	Moody's	Fitch
Money Market Mutual Funds				
Fidelity Investments Money Market Government	\$ 16	AAAm	AAA-mf	NR
Goldman Sachs Financial Square Government	8,395	AAAm	Aaa-mf	NR
Morgan Stanley Institutional Liquidity Funds	5,509	AAAm	Aaa-mf	AAAmmf
Government Sponsored Entities				
Federal Farm Credit Bank	13,316	AA+	Aaa	AAA
Federal Farm Credit Bank Discount Notes	13,978	A-1+	P-1	F1+
Federal Home Loan Banks	15,030	AA+	Aaa	NR
Federal Home Loan Banks Discount Notes	139,750	A-1+	P-1	NR
Federal National Mortgage Association	20,041	AA+	Aaa	AAA
Government Securities				
U.S. Treasury Notes	409,983	AA+u	Aaa	AAA
U.S. Treasury Bills	34,865	A-1+u	N/R	F1+
Governmental Investment Pools				
TexPool	1,085,653	AAAm	NR	NR
Total:	\$ <u><u>1,746,536</u></u>			

Concentration of Credit Risk

It is the policy of GPTC to diversify its investment portfolios. Assets held in the particular funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of Aug. 31, 2020, the following investments exceeded five percent of the total GPTC portfolio: TexPool, Federal Home Loan Bank Discount Notes, and U.S. Treasury Notes.

The Commission and GPTC both address diversification in the Commission's investment policy. Assets held in particular funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically by the investment officer for all funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates, will adversely affect the fair value of an investment. GPTC does not have a formal policy on interest rate risk. Investment portfolios are designed with the objective of attaining the best possible rate of return commensurate with GPTC's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment, although important, is subordinate to the safety and liquidity objectives. Approximately 79 percent of the investments mature within one year. Market value fluctuation of the overall portfolio is minimized by keeping the weighted average maturity low.

NOTE 4 – LONG-TERM LIABILITIES

As of Aug. 31, 2020, GPTC had nine revenue bonds outstanding and one bond anticipation note outstanding. As detailed below, the following changes occurred in long-term liabilities during the year ended Aug. 31, 2020.

Long-Term Liabilities Activity (Amounts in Thousands)						
For the Fiscal Year ended August 31, 2020						
	Beginning Balance 09/01/2019	Adjustments*	Additions**	Reductions	Ending Balance 08/31/2020	Due Within One Year
Revenue Bonds Payable	\$ 3,066,267	\$ 111,518	\$ 2,329,457	\$ (1,290,205)	\$ 4,217,037	\$ 22,844
Revenue Bonds Payable - Direct Placements	83,775				83,775	
Notes and Loans Payable	647,457	(10,532)			636,925	10,532
Notes and Loans Payable - Direct Borrowings	927,449		16,655	(944,104)		
Total	\$ 4,724,948	\$ 100,986	\$ 2,346,112	\$ (2,234,309)	\$ 4,937,737	\$ 33,376

*Includes new issue premium and current year amortization of premiums and discounts.
 **Includes current year amortization of accretion.

Bond Anticipation Notes

GPTC issued a bond anticipation note for the purpose of providing funds to pay the costs of extending, expanding and improving segments H&I of the Grand Parkway System. As of Aug. 31, 2020, the note’s debt service requirements are as follows:

BANs – Debt Service Requirements			
Business-Type Activities			
Year	Principal	Interest*	Total
2021	\$	\$ 30,267	\$ 30,267
2022		30,267	30,267
2023	605,330	25,222	630,552
Total	605,330	85,756	691,086
Unamortized Premium	31,595		31,595
Total Requirements	\$ 636,925	\$ 85,756	\$ 722,681

* Fixed interest rate at 5.00 percent.

Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure the payment of bond debt service. The table below provides information on pledged revenue and pledged future revenue of the GPTC revenue bonds.

Pledged Future Revenue (Amounts in Thousands)	
Pledged Revenue Required for Future Principal and Interest On Existing Bonds and Notes	\$ 9,062,045
Term of Commitment Ending:	10/1/2052
Percentage of Revenue Pledged	94.45%
Current Year Pledged Revenue	\$ 201,256
Current Year Principal and Interest Paid	\$ 130,599

NOTE 5 – BONDED INDEBTEDNESS

Revenue Bonds

Transportation Code, Section 222.103 authorizes the Commission to participate, by spending money from any available source in the acquisition, construction, maintenance, or operation of a toll facility of a public or private entity on terms and conditions established by the Commission. In March 2012, the Commission adopted a resolution creating the Grand Parkway Transportation Corporation (GPTC). GPTC is authorized to assist and act on behalf of the Commission in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project.

Miscellaneous Bond Information (Amounts in Thousands)							
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities		
					First Year	Last Year	First Call Date
First Tier Toll Revenue Bonds, Series 2013-A	\$ 200,000	8/1/2013	5.13%	5.50%	2031	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-B							
Convertible Capital Appreciation Bonds**	411,673	8/1/2013	4.95%	5.85%	2029	2048	10/1/2028
Current Interest Bonds	1,137,935	8/1/2013	5.00%	5.25%	2048	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810	8/1/2013	5.18%	5.18%	2036	2042	*
Subordinate Tier Toll Revenue Bonds, Series 2016	83,775	12/7/2016	2.20%	2.20%	2023	2023	n/a
Subordinate Tier Toll Revenue Bonds, Series 2018-A	712,100	5/30/2018	5.00%	5.00%	2030	2048	4/1/2028
Subordinate Tier Toll Revenue Bonds, Series 2018-B	166,525	5/30/2018	5.00%	5.00%	2049	2052	10/1/2023
First Tier Toll Revenue Refunding Bonds Taxable, Series 2020-A	220,415	2/27/2020	2.11%	3.36%	2026	2052	4/1/2030
Subordinate Tier Toll Revenue Refunding Bonds Taxable, Series 2020-B	1,293,260	2/27/2020	1.53%	3.24%	2020	2052	4/1/2030
First Tier Toll Revenue Refunding Bonds, Series 2020-C	793,385	2/27/2020	3.00%	5.00%	2033	2050	n/a
Total	\$ 5,380,878						

* Bonds are subject to redemption prior to their respective maturities at the option of the Corporation.
 ** Bonds issued to date include interest accreted to principal.

The bond obligations are payable from tolls and other revenues of the GPTC held by the trustee. Neither the state; the Commission; nor any other agency or political subdivision of the state, is obligated to pay the debt service on the GPTC bonds. The Grand Parkway System is owned by the Commission and the Commission has not mortgaged, assigned, or pledged any interest in any real or personal property or improvements, including any interest in the Grand Parkway System, as security for payment of the bonds other than the pledge of the Trust Estate under the Trust Agreement.

In an event of default, the Trustee may proceed to, and upon the written request of the owners of not less than 20 percent in principal amount of outstanding obligations, shall proceed to:

- (i) Protect its rights and the rights of the owners under Chapter 431, Transportation Code and under the Trust Agreement, the Toll Rate Agreement or certain sections of the Project Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power granted in the Trust Agreement for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights. Acceleration of principal or interest on the obligations upon the occurrence of an event of default is not a remedy available under the Trust Agreement.
- (ii) In the enforcement of any remedy under the Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation and to enforce judgment or decree against the Corporation but solely as provided in the Trust Agreement.

Debt service requirements for the outstanding revenue bonds as of Aug. 31, 2020, are detailed in the following table. GPTC has \$83.8 million in direct placement bonds.

Debt Service Requirements (Amounts in Thousands)							
Revenue Bonds				Revenue Bonds - Direct Placements			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2021	\$ 14,435	\$ 150,893	\$ 165,328	2021	\$	\$ 1,843	\$ 1,843
2022	18,485	143,228	161,713	2022		1,843	1,843
2023	18,780	142,935	161,715	2023		1,843	1,843
2024	19,085	156,511	175,596	2024	83,775	927	84,702
2025	2,780	170,213	172,993	Total	\$ 83,775	\$ 6,456	\$ 90,231
2026-2030	20,805	850,047	870,852				
2031-2035	202,195	829,751	1,031,946				
2036-2040	515,525	740,908	1,256,433				
2041-2045	741,115	585,454	1,326,569				
2046-2050	1,243,730	358,373	1,602,103				
2051-2053	1,287,450	68,031	1,355,481				
	4,084,385	4,196,344	8,280,729				
Unamortized Accretion	(77,487)		(77,487)				
Unamortized Premium	210,139		210,139				
Total	\$ 4,217,037	\$ 4,196,344	\$ 8,413,381				

Refunding

GPTC authorized the issuance of the First Tier Revenue Refunding Bonds, Series 2020-A, Subordinate Tier Revenue Refunding Bonds, Series 2020-B and the First Tier Revenue Refunding Bonds, Series 2020-C with the Eighth Supplement Agreement, dated Feb. 11, 2020 to refund certain outstanding Series 2013-A, certain outstanding Series 2013-B and the TIFIA loan agreement. The Series 2020-A, Series 2020-B and Series 2020-C bonds were issued with par amounts of \$220.4 million, \$1.3 billion and \$793.4 million, respectively, for a total par amount of \$2.3 billion. The premium associated with the Series 2020-C was \$109.6 million and the underwriter's discount associated with the transaction amounted to \$11.5 million, resulting in net proceeds of \$2.4 billion. The issuance closed on Feb. 27, 2020.

Refunding Issues (Amounts in Thousands)							
Description	Type of Refunding	Par Value Refunded	Par Value of Refunding Issue			Cash Flow Increase/ (Decrease)	Economic Gain/(Loss)
			Series 2020 - A	Series 2020 - B	Series 2020 - C		
Series 2013-A	Advanced	\$ 152,270	\$ 175,005			\$ 64,093	\$ 40,640
Series 2013-B	Advanced	1,137,935		1,293,260		481,601	275,524
TIFIA	Current	45,128	45,410			4,409	2,633
TIFIA	Current	898,976			793,385	139,690	76,795
		<u>\$ 2,234,309</u>	<u>\$ 220,415</u>	<u>\$ 1,293,260</u>	<u>\$ 793,385</u>	<u>\$ 689,793</u>	<u>\$ 395,592</u>

Defeased Bonds

GPTC defeased various bond issues by placing funds and securities in irrevocable trusts with external financial institutions to provide for all future debt service payments on the bonds through the earlier of the maturity date or the first call date. As of Aug. 31, 2020, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

Defeased Bonds Outstanding (Amounts in Thousands)	
Description	Par Value
Series 2013-A Revenue Refunding Bonds	\$ 152,270
Series 2013-B Current Interest Bonds	1,137,935
Total	<u>\$ 1,290,205</u>

NOTE 6 - RETIREMENT PLAN AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GPTC, a blended component unit of the Texas Department of Transportation (TxDOT), is part of TxDOT’s reporting entity. GPTC does not have any employees and does not make contributions to any retirement plans or other postemployment benefits (OPEB) plans. TxDOT employees provide all accounting and administrative services for GPTC. Those employees are members of the Employee Retirement System of Texas defined benefit pension plan (ERS Plan) and the State Retiree Health Plan (SRHP). GPTC is not obligated in any form for the funding of the pension benefits provided by the ERS Plan or the postemployment benefits provided through the SRHP. Allocation of the pension and OPEB liabilities and expenses for GPTC is deemed unnecessary and not required.

The details are disclosed in the TxDOT’s Comprehensive Annual Financial Report for the pension plan in Note 8 and the OPEB plan in Note 10.

NOTE 7 – INTERFUND ACTIVITY

GPTC became responsible for the maintenance and operation of the System when the GPTC Series 2013 bonds were closed in August 2013. All expenses related to maintenance and operation of the initial project paid by the state highway fund is subject to reimbursement by GPTC as a junior operating expense. During the fiscal 2020, the state highway fund paid certain construction and operation and maintenance costs for GPTC. \$4.1 million of these costs were not reimbursed to state highway fund by Aug. 31, 2020.

Due to implementation of GASB 84 in fiscal 2020, toll custody fund is now part of state highway fund. State highway fund collected \$4.5 million of toll revenue and TxTag deposit that was not transferred to GPTC by Aug. 31, 2020.

Amounts not transferred to/from other funds at fiscal year-end are accrued as due to/due from other funds. As of Aug. 31, 2020, the due to and due from state highway fund balances as detailed in the following table:

Due To/From		
August 31, 2020 (Amounts in Thousands)		
Category	GPTC Due to SHF	GPTC Due from SHF
Construction	\$ 362	\$
Operating & Maintenance	3,719	
Toll Revenue		117
TxTag Deposit		4,352
Total	\$ 4,081	4,469

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Contingencies

Unpaid Claims and Lawsuits

The type and volume of activity for which GPTC is responsible exposes it to a large number of claims and lawsuits.

The Attorney General’s office indicates that the lawsuits listed below were pending as of Aug. 31, 2020. GPTC management’s opinion is that the probable outcome of these cases will not materially affect the financial position of GPTC or TxDOT.

Type of Suit	Amounts in Controversy
Eminent Domain	Total claims with amounts indicated, range from \$101.2 thousand to \$19.0 million, for a total of \$78.7 million.

Arbitrage

Rebatable arbitrages defined by Internal Revenue Code (IRC), Section 148, are earnings on tax exempt bond proceeds in excess of the yield on the bond. The rebatable arbitrage must be repaid to the federal government. Pursuant to the Trust Agreement, a Rebate Fund will be established to which deposits will be made upon the determination by GPTC that funding of the Rebate Fund is necessary or appropriate. The amount of rebate due to the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. IRC Section 148 also provides for certain rebate exceptions, including an exception if certain spend-out requirements of the bond proceeds are met. GPTC has no rebatable arbitrage liability in fiscal 2020.

Significant Commitments

Construction Contracts

GPTC and TxDOT have entered into a Project Agreement dated July 17, 2013, under which GPTC will finance the costs of the Initial System and certain pre-development work for Segments H&I using the proceeds of one or more series of Obligations issued pursuant to the Trust Agreement. TxDOT assigned all right, title and interest in the Design-Build and the Capital Maintenance Agreement on March 22, 2013. In addition, five Design-Bid-Build agreements, project segment supplements to the statewide toll system integration agreement, any expansion of the System during the term of the Project Agreement and costs of the System right-of-way acquisition are the responsibility of GPTC.

TxDOT entered a design-build agreement with Grand Parkway Infrastructure, LLC to develop, design and construct improvements along SH99 Grand Parkway Segments H, I-1 and I-2 in Harris, Montgomery, Chambers and Liberty Counties, effective as of June 30, 2017. TxDOT assigned the agreement to GPTC shortly after the effective date. On Oct. 27, 2017, TxDOT issued the notice to proceed for the H-West Option. GPTC approved four change orders in fiscal 2020 which increased the design-build contract amount by \$24.5 million.

Disclosure of the construction related commitment as of Aug. 31, 2020 is displayed below:

GPTC Construction Related Contract Commitments				
August 31, 2020 (Amounts in Thousands)				
Contractor	Segment	Contract Commitment	Paid Amount	Remaining Commitment
Zachry Odebrecht Parkway Builders	Segment F1,F2&G	\$1,103,493	\$1,100,728	\$2,765
Grand Parkway Infrastructure, LLC	Segment H,I-1&I-2	\$924,874	\$442,583	\$482,291

NOTE 9 - RISK FINANCING & RELATED INSURANCE

Grand Parkway Transportation Corporation (GPTC) is a non-profit corporation created by the Texas Transportation Commission to act on behalf of the Commission in assisting with the development, construction, financing, operating and maintaining of the SH 99 (Grand Parkway) System. GPTC does not own any part of the Grand Parkway System and does not have any employees. TxDOT provides all accounting, debt financing and administrative services.

GPTC is exposed to a wide range of risks due to the size, scope and nature of its activities. Some of these risks include, but are not limited to, property and casualty losses, theft, damage of assets and business interruption. GPTC self-insures through funds on deposit within its Rate Stabilization Fund. The amount on deposit in the Rate Stabilization Fund for self-insurance has been certified as actuarially sound by the AMI Risk Consultants, Inc. To date, GPTC has not had to draw upon the Rate Stabilization Fund to settle any claims and therefore settlements have not exceeded self-insurance coverage. GPTC has also acquired Directors and Officers Liability insurance and certain public official's liability coverage.

NOTE 10 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Net Position

GPTC at the end of fiscal 2020 had a \$310.5 million deficit balance of net position. The total expense exceeded the total revenue by \$108.4 million. The large expense in 2020 included \$65.0 million of amortization and \$209.0 million of interest.

Financial Impact of COVID-19

The full impact of the COVID-19 pandemic and the scope of any adverse impact cannot be fully determined at this time. The pandemic has adversely affected travel, commerce and financial markets globally and is expected to adversely affect economic output worldwide and in Texas, including within the counties traversed by the System. These effects have reduced and are expected to further slow the growth of GPTC's revenue. The potential impacts may also slow the growth of certain assets to an extent that cannot currently be predicted but could be material.

Total toll revenues for fiscal 2020 were \$183.7 million, a decrease of \$17.5 million or 8.7 percent from \$201.2 million in fiscal 2019. Toll revenues are the only component of operating revenues. The decrease of toll revenues was primarily due to the 7.9 percent decrease in overall toll transactions.



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